

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF COMMUNITY NATURAL GAS)
CO. INC. FOR AUTHORITY TO CHANGE ITS) CAUSE NO. 45690
RATES, CHARGES, TARIFFS, RULES, AND)
REGULATIONS)

SUBMISSION OF SETTLEMENT AGREEMENT

Community Natural Gas Co., Inc., (“Community”, “Company”, or “Petitioner”), by counsel and on behalf of itself and the Indiana Office of Utility Consumer Counselor (“OUCC”, and collectively the “Settling Parties”), and in accordance with the Indiana Utility Regulatory Commission’s Docket Entry dated June 10, 2022, respectfully submits the attached Stipulation and Settlement Agreement (“Settlement Agreement”).

Respectfully submitted for the Settling Parties,



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Counsel for Petitioner,
Community Natural Gas Co., Inc.

CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing has been served upon the following counsel of record by electronic mail this 30th day of June, 2022:

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STIPULATION AND SETTLEMENT AGREEMENT

Community Natural Gas Co., Inc. (“Petitioner”) and the Indiana Office of Utility Consumer Counselor (“OUCC”), (collectively the “Settling Parties”), solely for purposes of compromise and settlement, stipulate and agree that the terms and conditions set forth below represent a fair, just and reasonable resolution of the matters set forth below, subject to their incorporation by the Indiana Utility Regulatory Commission (“Commission”) into a final, non-appealable order (“Final Order”) without modification or further condition that may be unacceptable to any Settling Party. If the Commission does not approve this Stipulation and Settlement Agreement (“Settlement Agreement”), in its entirety, the entire Settlement Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the Settling Parties.

I. TERMS AND CONDITIONS.

- a) The Settling Parties agree that Community’s proposal as set forth in its case-in-chief, including the Partial Settlement, shall be approved except as modified herein.
- b) Capital Structure – The Settling Parties agree to use an updated cut-off date of October 31, 2021 in determining Community’s capital structure. The Settling Parties further agree to include the \$1.25 million long-term Line of Credit in

Community's capital structure at a cost of 2.35%. The resulting Weighted Average Cost of Capital is 7.95%.

- c) Cell Phones – The Settling Parties agree to Community's proposed level of cell phone expense. Community agrees to develop a written policy regarding employee use of company-provided cell phones and will provide the OUCC with a copy of that policy for comment within 90 days of the final order.
- d) Meals Expense – The Settling Parties agree to remove 50% of the test year level of meals expenses, or \$1,367. Community agrees to develop a written policy regarding expensing of meals, including better documentation of the subject matter of meetings for which meals are expensed and will provide the OUCC with a copy of that policy for comment within 90 days of the final order.
- e) Vehicle/Transportation – The Settling Parties agree to Community's proposed level of vehicle expense. Community agrees to develop a written policy regarding employee use of company-provided vehicles and will provide the OUCC with a copy of that policy for comment within 90 days of the final order. Included in any such policy is the agreement that Community will track vehicles that are used for personal use by detailing the mileage of such personal use.
- f) Payroll/Salary Expense – The Settling Parties acknowledge that Community has hired a new employee effective April 16, 2022, and agree to include the associated payroll expense in the revenue requirement. Other salaries shall be adjusted as proposed by Community. Pension expense and payroll tax expense will remain at the amounts proposed by Community.

- g) Rate Case Expense – The Settling Parties agree to set rate case expense associated with this case to \$200,000. Community also accepts the OUCC’s calculation of the amount of prior rate case expense to be included in the amortization. The Settling Parties further agree to amortize rate case expense over five years. This results in a pro forma adjustment of (\$32,770). Community shall be permitted to seek recovery of any unamortized portion of rate case expense in its next base rate case. Community agrees to file a revised tariff if new rates have not gone into effect at the end of the five-year amortization period to remove rate case expense from Petitioner’s base rates.
- h) Outside Service Expense – The Settling Parties agree to include in the revenue requirement the full amount of outside services proposed by Community. Community also agrees to provide in subsequent rate cases greater detail regarding legal expenses by matter to facilitate the OUCC’s review of outside expenses.
- i) Advertising/Public Awareness Expense – The Settling Parties agree to include in the revenue requirement the three-year average annual expense associated with public awareness materials. This results in a pro forma adjustment of (\$4,784).
- j) Other Adjustments – The Settling Parties agree to the following adjustments proposed by the OUCC: OUCC’s adjustment to lobbying fees of \$608; OUCC’s adjustment to remove EE contribution for NTA of \$14,650; OUCC’s adjustment to Cause No. 43995 S1 expense of \$23,902; OUCC’s adjustment to reflect the repeal of the Utility Receipts Tax of (\$115,038); OUCC’s calculation of assets fully depreciated for the calculation of depreciation expense, which results in a pro forma depreciation expense adjustment of \$106,122; OUCC’s adjustment to property

taxes of \$18,065; and recognition that the OUCC and Petitioner used the same methodology to calculate the IURC fee, state income taxes, and federal income taxes.

- k) Rate Base – The Settling Parties agree to the OUCC’s calculation of the additional accumulated depreciation through October 31, 2021 and the OUCC’s calculation on materials and supplies and gas storage amounts. The Settling Parties recognize the OUCC and Petitioner used the same methodology to calculate working capital. The total original cost rate base is \$17,309,920.
- l) Cost of Equity Capital and Cost of Service - The Settling Parties entered into a Stipulation and Partial Settlement Agreement on Cost of Equity Capital and Cost of Service issues on February 25, 2022. The terms of that Stipulation and Partial Settlement Agreement are now incorporated into this Settlement Agreement.

II. PRESENTATION OF THE SETTLEMENT AGREEMENT TO THE COMMISSION.

1. The Settling Parties shall support this Settlement Agreement before the Commission and request that the Commission expeditiously accept and approve the Settlement Agreement.

2. The Settling Parties agree to provide each other with an opportunity to review drafts of testimony supporting the Settlement Agreement to consider the input of the other Settling Party. Such evidence, together with the evidence previously prefiled in this Cause, will be offered into evidence without objection and the Settling Parties hereby waive cross-examination of each other’s witnesses. The Settling Parties propose to submit this Settlement Agreement and evidence conditionally, and that, if the Commission fails to approve this Settlement Agreement in its entirety

without any change or approves it with condition(s) unacceptable to any Settling Party, the Settlement and supporting evidence shall be withdrawn and the Commission will continue to hear this with the proceedings resuming at the point they were suspended by the filing of this Settlement Agreement.

3. A Commission Order approving this Settlement Agreement shall be effective immediately, and the agreements contained herein shall be unconditional, effective and binding on all Settling Parties as an Order of the Commission.

4. The Parties acknowledge a significant motivation for Petitioner to enter into this Settlement is the expectation that a final order will be issued promptly by the Commission authorizing increases in its rates and charges as reflected by this Settlement and the accepted positions of the Parties as reflected by the evidence in this Cause. The Parties have spent significant time and effort to resolve the issues raised in this case.

5. The Parties believe the Parties' direct testimony and exhibits and the Parties' settlement testimony and exhibits, along with this Settlement, constitute substantial evidence sufficient to support this Settlement and provide an adequate evidentiary basis upon which the Commission may make findings of fact and conclusions of law necessary to issue a final order adopting and approving this Settlement.

III. SETTLEMENT EFFECT, SCOPE, AND APPROVAL


1. The Parties acknowledge and agree as follows:
 - a) The Settlement is conditioned upon and subject to its acceptance and approval by the Commission in its entirety without change or condition that is unacceptable to either Petitioner or the OUCC. Each term of the Settlement is in consideration and support of each and every other term.
 - b) The Settlement is the result of compromise by the Parties within the settlement process. Neither the making of this Settlement nor any of the individual provisions or stipulations herein shall constitute an admission or waiver by any Party in any other proceeding; nor shall they constitute an admission or waiver in this proceeding if the Settlement is not accepted by the Commission. The Parties hereto shall not use this Stipulation or the Order provided by this Stipulation as precedent or offer the same as an admission in any other proceeding or for any other purpose except to the extent necessary to implement or enforce its terms. In the event this Stipulation or resulting Order is offered for any purpose prohibited by this Agreement, the Parties agree that objections by the non-offering party are proper.
 - c) The communications and discussions among the Parties, along with the materials produced and exchanged during the negotiation of this Settlement, relate to offers of settlement and compromise, and as such, all are privileged and confidential. Such material cannot be used in this or any other proceeding without the agreement of the Parties herein.

- d) The undersigned represent and agree that they are fully authorized to execute this Settlement on behalf of their designated clients who will thereafter be bound by this Settlement.
- e) The Parties hereto will either support; or not oppose on rehearing, reconsideration, and/or appeal; an IURC order accepting and approving this Settlement in accordance with its terms.

ACCEPTED and AGREED this 30th day of June, 2022

Community Natural Gas Co. Inc.

Indiana Office of Utility Consumer Counselor

By: 
Counsel of Record


By: _____
Counsel of Record

DMS: 23007688.1